



UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the 18th day of April, 2000

Essential Air Service at

Served: April 21, 2000

MATTOON, ILLINOIS

Docket OST-1999-6260 - 8

Under 49 U.S.C. 41731 *et seq.*

ORDER RESELECTING CARRIER AND
ESTABLISHING SUBSIDY RATES

Summary

By this order, the Department reselects Great Lakes Aviation, Ltd., d/b/a United Express (Great Lakes) to provide subsidized essential air service at Mattoon, Illinois, for a new two-year rate term at an annual subsidy rate of \$540,449, effective March 22, 2000. (See Appendix A for map)

Background

On September 24, 1999, Great Lakes filed a 90-day notice of its intent to suspend its subsidized service at Mattoon, effective December 23, 1999. By Order 99-11-11, the Department prohibited Great Lakes from suspending service beyond the end of the 90-day notice period, through January 21, 2000, and requested proposals, with subsidy if necessary, from carriers interested in providing replacement service. Great Lakes has provided service in the Mattoon-Chicago O'Hare market since early 1995, when the Department granted it four slot exemptions at O'Hare Airport, to be used specifically for service to Mattoon, by Order 94-10-47. (However, those slot exemptions are now essentially moot given the broad slot relief in the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century, a.k.a. AIR-21.) By Order 97-5-3, the Department selected Great Lakes to continue providing Mattoon's service to O'Hare at an annual subsidy rate of \$218,783, effective February 1997.

Carrier Proposals

Great Lakes was the only carrier to submit a proposal in this case. The carrier has proposed two options of service at Mattoon: one with 19-seat Beech 1900s at an annual subsidy rate of \$540,449, and one with 30-seat Brasilias at an annual subsidy rate of

\$704,134. Both options would be operated one-stop over the intermediate point Springfield, Illinois.

Decision

Great Lakes' current service at Mattoon consists of 12 one-stop round trips a week to O'Hare using 19-seat Beech 1900 aircraft. At the carrier's request, we also negotiated rates using 30-seat Embraer Brasilia aircraft. Recent traffic information shows an average of 2.9 daily enplanements at Mattoon, or about one and one-half passengers per flight. These low traffic levels do not warrant the larger, more costly Option 2, which proposes using the 30-seat Brasilia aircraft. We find that the terms outlined in Option 1, using 19-seat Beech 1900s, would best meet the essential air service requirements for Mattoon. Thus, we will reselect Great Lakes to provide essential air service at Mattoon, Illinois, for another two-year period through March 31, 2002, at an annual subsidy rate of \$540,449.¹

Carrier Fitness

According to 49 U.S.C. 41737(b) and 41738, the Department must find an air carrier fit, willing and able to provide reliable service before we compensate it for providing essential air service. We last reviewed Great Lakes' fitness by Order 2000-2-18, February 14, 2000, in connection with its subsidized air service in Colorado and Kansas. Since then, the Department has routinely monitored the carrier's continuing fitness, and no information has come to our attention that would lead us to question its ability to operate in a reliable manner. Based on our review of its most recent submissions, we find that Great Lakes continues to have available adequate financial and managerial resources to maintain reliable service at Mattoon, and that it continues to possess a favorable compliance disposition. The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with 14 CFR Part 121, and knows of no reason why we should not find that Great Lakes remains fit.

This order is issued under authority delegated in 49 CFR 1.56a(D).

ACCORDINGLY,

1. The Department reselects Great Lakes Aviation, Ltd., d/b/a United Express to provide essential air service at Mattoon, Illinois, at the service levels and subsidy rates described in Appendix C, from March 22, 2000, through March 31, 2002;
2. The Department sets the final rate of compensation for Great Lakes Aviation for the provision of essential air service at Mattoon, Illinois, as described in Appendix C, from March 22, 2000, through March 31, 2002, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to

¹ See Appendix B for details of Great Lakes' subsidy calculation.

the weekly ceiling set forth in Appendix C, and shall be determined by multiplying the subsidy-eligible arrivals and departures flown during the month by \$411.12;²

3. The Department finds that Great Lakes Aviation continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable essential air service at Mattoon, Illinois;
4. We direct Great Lakes to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;
5. This docket will remain open until further order of the Department; and
6. The Department will serve a copy of this order on the Mayor and Airport Manager of Mattoon, the Governor of Illinois, the Illinois Department of Transportation, City of Chicago-Department of Aviation, and Great Lakes Aviation, Ltd., d/b/a United Express.

By:

A. BRADLEY MIMS

Deputy Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>*

The electronic version may not include all of the appendices

² See Appendix B for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, a revision of these rates may be required.

Appendix A



Departures	1227
Block Hours	624
Available seat-miles	1,841,727
 Operating Revenues:	
Passenger: 1,900 MTO psgrs. @ \$97.00	\$ 184,300
Other (@ .062% of psgr. rev.)	<u>1,143</u>
Total Operating Revenue	\$ 185,443
 Operating Expenses:	
Direct: Flying Operations (\$94.11/BH)	\$ 58,725
(\$5.61/dep)	6,883
Fuel & Oil (\$1.214/gal)	119,166
Hull insurance	4,173
Maintenance (\$75.00/dep)	92,025
(\$104.82 x 499 flt hrs.)	52,305
Aircraft Lease (.25 x \$34,504/mo.)	<u>103,512</u>
Total Direct Expenses	\$ 436,789
Indirect: MTO Facility Lease (\$600/mo.)	\$ 7,200
MTO Deicing Charge (\$125 x 153)	19,125
MTO Local Marketing	5,000
Station Manager	26,000
Station Agent (\$20,800 x 2)	41,600
SPI Turn Cost (\$13.50 x 614)	8,289
Crew Overnight (\$250 x 358)	89,500
Passenger-related (\$16.63 x 1,900)	31,597
G&A (\$0.01424/ASM)	<u>26,226</u>
Total Indirect Expenses	\$ 254,537
Total Operating Expenses	\$ 691,326
Operating Loss	\$ 505,883
Profit Element (5% of Total Operating Expenses)	<u>34,566</u>
Annual Compensation Requirement	\$540,449

**GREAT LAKES AVIATION, LTD., d/b/a UNITED EXPRESS
ESSENTIAL AIR SERVICE AT
MATTOON, ILLINOIS**

EFFECTIVE PERIOD:	From March 22, 2000 through March 31, 2002
SERVICE:	12 nonstop or one-stop round trips each week between Mattoon and Chicago O'Hare with unrestricted upline service permitted
AIRCRAFT TYPE:	Beech 1900 (19 seats)
TIMING OF FLIGHTS:	Flights must be well-timed and well-spaced to ensure full compensation
ANNUAL SUBSIDY RATE:	\$504,449
SUBSIDY RATE PER ARRIVAL/DEPARTURE:	\$411.12 ¹
WEEKLY COMPENSATION CEILING:	\$9,866.88 ²

¹ Annual compensation of \$540,449 divided by the estimated annual completed departures and arrivals at a 98% completion factor: $4 \times 313 \times .98 = 1,227$.

² Subsidy rate per arrival/departure of \$411.12 multiplied by 24 subsidy-eligible arrivals and departures each week.

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on this route. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.